

VZCZCXRO9231
PP RUEHFL RUEHKW RUEHLA RUEHNP RUEHROV RUEHSR
DE RUEHBM #0060/01 0301244
ZNY CCCCC ZZH
P 301244Z JAN 09
FM AMEMBASSY BUCHAREST
TO RHEHNSC/NSC WASHDC PRIORITY
RUEHC/SECSTATE WASHDC PRIORITY 9154
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE PRIORITY
RUEHKB/AMEMBASSY BAKU PRIORITY 0043
RUEAIIA/CIA WASHINGTON DC PRIORITY
RHMCSUU/DEPT OF ENERGY WASHINGTON DC PRIORITY
RUCPDOG/DEPT OF COMMERCE WASHINGTON DC PRIORITY

C O N F I D E N T I A L SECTION 01 OF 03 BUCHAREST 000060

SIPDIS

STATE FOR EUR/CE, EUR/ERA, EEB/ESC, EEB/IFD

E.O. 12958: DECL: 01/30/2019

TAGS: [ENRG](#) [ECON](#) [EFIN](#) [PREL](#) [PGOV](#) [RO](#)

SUBJECT: ROMANIA: BASESCU UNDERSCORES NABUCCO SUPPORT,
PRESSES FOR EARLY VISIT TO WASHINGTON

Classified By: Charge d'Affaires a.i. Jeri Guthrie-Corn for reasons 1.4
(B) and (D).

¶1. (C) Summary: Europe needs to capitalize on the sour mood left by the Russia-Ukraine gas dispute to forge a tougher EU energy policy and to press forward with the Nabucco pipeline, President Traian Basescu told visiting EUR DAS Matt Bryza on January 29. Basescu said he has made this argument "forcefully" to Commission President Jose Manuel Barroso and believes Barroso and others -- "even the Germans" -- have been galvanized by events and are prepared to move forward. Basescu is optimistic that EU funds will be available to build more gas interconnectivity among EU members, and also said Romania is looking to expand its gas storage capabilities as a hedge against future supply disruptions. Acknowledging the critical role of Azerbaijan in Nabucco, Basescu urged the U.S. to be "kinder" toward President Aliyev and said Aliyev had complained to him about U.S. overtures on the energy front while criticizing Azerbaijan in the Department's annual Human Rights Report. Basescu expressed his strong desire for an official visit to Washington in the next few months, saying he has been invited to Moscow by President Medvedev in May but believes it important that he meet President Obama before seeing the Russian leader. Basescu also admitted that Romania is seeking EU financial assistance to cover its current budgetary shortfall, but hopes to limit IMF participation to a purely advisory role. End summary.

¶2. (C) Romania remains fully committed to the Nabucco pipeline project but has warned European partners it will be forced to consider other alternatives, including South Stream, if Nabucco does not move forward, President Basescu told DAS Bryza on January 29. Basescu agreed with Bryza that the fallout from the Russia-Ukraine gas dispute has created a political opening within Europe that Nabucco advocates must move quickly to capitalize on. Basescu said he has made this point "forcefully" to French President Sarkozy and to Commission President Barroso, whom he characterized as reluctant to act before now due to German pressure. However, Basescu now believes the Commission is fully on board and that Barroso "has never been so determined." Basescu was very pleased to hear discussions of financial support for energy diversification from the Commission, EIB, and EBRD coming out of the Nabucco Summit in Budapest this week and believes this may be the kick-start the project needs. Bryza urged Basescu to continue to play a strong advocacy role for Nabucco with France, Germany, and other countries in central and southeastern Europe.

¶3. (C) Basescu said he does not believe that a full shutoff of gas to Europe had been Russia's original intention in the recent dispute with Ukraine, and observed that the Ukrainians

had precipitated the problem by their recalcitrance on pricing and by siphoning gas from the system intended for Europe. Still, Basescu said he was very firm with both Medvedev and Prime Minister Putin in phone discussions during the crisis over Russian failure to honor contracts as a reliable supplier. Basescu said he responded to Putin's complaint that it was impossible to deal with Ukrainian President Yuschenko because of the complex web of gas intermediaries by pointing out that Russia had helped set up the intermediary system and benefited financially from it just as the Ukrainians did. Still, Basescu agreed that Romania in the future wanted to deal directly with Gazprom and cut out the middle men.

14. (C) While Basescu refused Medvedev's invitation during the crisis in mid-January to travel to Moscow, he is planning to accept a subsequent Medvedev invitation to go to Moscow the second week of May; this will be his first official meeting with Medvedev. However, for reasons both of our strategic partnership and Romanian domestic politics, Basescu expressed a strong desire to visit Washington for a meeting with President Obama -- "even a short one" -- before going to Moscow. Basescu asked DAS Bryza to convey that message to Washington and said Ambassador Adrian Vierita would also pursue the request.

15. (C) Turning to a discussion of other players in the Black Sea and Caspian, Basescu said he has talked to Turkish leaders at French President Sarkozy's request to try to persuade them to drop their opposition to participation in Nabucco by Gaz de France. A formal French commercial role in

BUCHAREST 00000060 002 OF 003

Nabucco, coupled with that of Germany, could provide a powerful impetus to the project, but the EU should not try to "blackmail" Turkey by connecting Nabucco progress to opening negotiation on an EU accession chapter on energy, he said. Basescu agreed with Bryza's assessment that demonstrating progress on the proposed White Stream pipeline, and a potential LNG terminal project in the port of Constanta, could provide the EU with needed leverage in discussions with the Turks over Nabucco and southern corridor energy strategy generally.

16. (C) In the Caspian, Basescu said he is in regular contact with leaders of the former Soviet republics of the region and characterized the leaders of Turkmenistan and Kazakhstan as "extremely interested" in finding alternatives to Russia for shipping gas to Europe. This is not merely a negotiating tactic to extract better prices from Gazprom; leaders feel hostage to Russian and Ukrainian problems and genuinely want alternatives for moving their energy resources to Europe. Basescu observed that President Aliyev of Azerbaijan wants to work with Europe and to be a bridge for trans-Caspian gas but does not believe that the EU or the United States treat him as a full partner. Aliyev has complained to Basescu that the U.S. courts him on energy issues but at the same time criticizes his government in the Department's annual Human Rights Report. Basescu suggested that the U.S. find more "polite" wording to describe political realities in Azerbaijan and to be more explicit about the importance of the country to U.S. policy; this will make Aliyev "very happy". It is also essential that the U.S. and EU treat Georgia and Azerbaijan on an equal footing and not appear to be less critical of Georgia, Basescu said.

17. (C) Looking ahead to post-gas crisis energy developments, Basescu is optimistic that the EU will shortly commit funds to assist member states with gas connectivity. Romania and Hungary aim to complete an 80 km pipeline extension to connect their gas grids. Romania also wants to connect to Bulgaria; Basescu noted that during the crisis Romania could not ship gas south and that the Bulgarians could not accept Romanian offers of fuel oil as a substitute because Bulgarian power plants are tooled to burn only gas (Romania's are dual use). Basescu also said Romania is examining ways to boost

its gas storage capacity in line with EU priorities, perhaps in a joint venture with Gazprom, and this will be on the agenda for discussion with Medvedev. Basescu explained that Romania is not concerned about Gazprom investment in such a project because "the danger is in Gazprom control of pipelines; the storage will be ours." In response to a question from Bryza, Basescu said Romania is hoping next week for a favorable ruling from the International Court of Justice (ICJ) at The Hague in a long-running Black Sea demarcation dispute with Ukraine. Laughing, Basescu said that if the ICJ rules for Romania, "we will certainly make it tougher" for the Russians to route South Stream through expanded Romanian territorial waters.

¶18. (C) Remarking on the global economic crisis, Basescu acknowledged that Romania has just begun discussions with Brussels about an EU loan of "6-7 billion euros" to help bridge an expected budgetary shortfall. While Romania would prefer to avoid including the IMF, the Commission will insist that any assistance to members outside the Euro Zone be conducted jointly with the IMF, Basescu said. Still, Romania will ask that the IMF role be purely advisory. Basescu lamented that one consequence of Romania's wide-reaching privatization of its banking sector over the last decade was current domination of the market by large European banks, all of which are experiencing very tight liquidity conditions in their home countries. These banks are not supplying additional liquidity to the Romanian market, even in cases where home governments have made substantial capital injections into the banks to shore up their bottom lines, and the Romanian economy is being squeezed as a result.

¶19. (C) Comment: Basescu was clearly in his element in discussing energy geopolitics with DAS Bryza, displaying a sharp command of the facts, conveying an image of vigorous engagement with other leaders, and laying out a vision for more cohesive European energy strategy in broad alignment with U.S. policy interests. His unequivocal support for Nabucco as a key element in that broader strategy stands in contrast to PSD leader Mircea Geoana, who told post last year that "Nabucco is dead." However, Basescu's mood grew

BUCHAREST 00000060 003 OF 003

distinctly more somber as he discussed Romania's budgetary woes, the deepening economic crisis, and the need to go hat in hand to Brussels and possibly the IMF for assistance, something everyone here (including Basescu himself) was dismissing as ludicrous just a month ago. With domestic challenges mounting, and Basescu's own political fortunes now closely tied to the government of Prime Minister Emil Boc in this presidential election year, Basescu is no doubt eager to highlight his foreign policy credentials. He is particularly eager to be seen as establishing a strong relationship with the new Administration in Washington, knowing that potential presidential rival Geoana is set on doing the same. End comment.

¶10. (U) DAS Bryza did not have the opportunity to clear this cable.
GUTHRIE-CORN